PRINCE
EDWARD
ISLAND
GRAIN
ELEVATORS
CORPORATION

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# PRINCE EDWARD ISLAND

# GRAIN ELEVATORS CORPORATION

# Twenty-second Annual Report

## FOR THE YEAR ENDED JULY 31st

# 1999

KENSINGTON
PRINCE EDWARD ISLAND

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The HONOURABLE J. ERIC HAMMILL

Minister Responsible for the
Prince Edward Island
Grain Elevators Corporation

Dear Sir:

We, the Board of Directors and the Management of the Prince Edward Island Grain Elevators Corporation, have the honor of submitting herewith the Twenty-second Annual Report of the Prince Edward Island Grain Elevators Corporation.

This report includes a brief summary of the operations and the audited financial statements of the Grain Elevators Corporation for the period August 1, 1998 to July 31, 1999.

Respectfully submitted,

BOARD OF DIRECTORS

Prince Edward Island
Grain Elevators Corporation

TWENTY-SECOND ANNUAL REPORT

OF

THE PRINCE EDWARD ISLAND GRAIN

ELEVATORS CORPORATION

**For the year August 1998 to July 31, 1999**

## BOARD OF DIRECTORS

| | |
|---|---|
| Allan Ling | President |
| John Griffin | Vice-President |
| Brenton Gardiner | Secretary-Treasurer |
| Gordon Carter | Director |
| Leonard Carver | Director |
| Blois Dingwell | Director |
| Herbert Pridham | Director |
| James Whalen | Special Advisor |

## ADMINISTRATIVE OFFICE STAFF

| | |
|---|---|
| Debra Montgomery | Administrative Officer |
| Barbara Walker | Accounting Technician |
| Shirley Ramsay | Clerk IV |

## ELEVATOR OPERATIONS STAFF
### P.E.I. #1 - Kensington, P.E.I.

| | |
|---|---|
| Clive Drummond | Operations Manager |
| Kenneth McCarville | Assistant Manager |
| Andy Gauthier | Elevator Worker/Operator |
| Eric Proctor | Elevator Worker/Operator |
| David Dougay | Elevator Worker |

### P.E.I. #2 - Roseneath, P.E.I.

| | |
|---|---|
| J. Ronald Somers | Manager |
| Bill McGuigan | Elevator Worker/Operator |

**P.E.I. #3 - Elmsdale, P.E.I.**

Donald McCarthy ..... Manager
Edmond Gaudet ..... Elevator Worker/Operator

The Prince Edward Island Grain Elevators Corporation is a Crown Corporation of the Province of Prince Edward Island under the authority of the Minister of Agriculture.

The Prince Edward Island Grain Elevators Corporation was established under Bill No. 49, the 4th Session, 43rd General Assembly; 26 Elizabeth II, 1977.

## OBJECTIVE OF THE CORPORATION

The objective of the Corporation is to stimulate local feed grain production and to bring uniformity to the industry through marketing of local grain on Prince Edward Island and throughout the Atlantic Provinces.

The Prince Edward Island Grain Elevators Corporation provides a central marketing, drying storage and distribution outlet to the grain producer, livestock feeder and the local feed industry.

## FINANCIAL PARTICIPATION

The Prince Edward Island Government guarantees a line of credit for the Corporation at the Corporation's banking institute. The line of credit required is assessed on a yearly basis and approved by Executive Council. This line of credit is used to purchase grains and soybeans and for the day to day operations of the Corporation.

The Corporation receives annual grants from the Province, one in the amount of $15,000 to be used for the development of grains and proteins, and the other a Capital Repairs grant in the amount of $90,000 to be used for capital repairs at the three elevator locations.

This report covers the period August 1, 1998 to July 31, 1999, which was the twenty-second year of operation of the Prince Edward Island Grain Elevators Corporation, the twenty-sixth year for the Kensington Grain Elevator, the twenty second year for the Roseneath Grain Elevator, and the twenty-first for the Elmsdale Grain Elevator.

This was the Corporation's sixth year of operating a Grain and Protein pooling system. There was 1,597 metric tonnes of product sold from the 1997/1998 pools into the 1998/1999 pools.

## POOLING SYSTEM

The Prince Edward Island Grain Elevators Corporation has, in the past, under the direction of its mandate, played a role of leadership in the small grains and protein industry on Prince Edward Island. To ensure that the Corporation will continue to act as a stabilizing influence in the establishing of the fair market value in the pricing of grains and proteins, to continue the Corporation's efforts to be a leader in the improvement of quality of product produced, to offer grains and proteins for sale using a formula of fairness to both the grower and feeder, to ensure that the Corporation operates on a breakeven basis while delivering the same level of high and efficient service to the agricultural community, the Corporation will obtain its local grain and protein inventory for marketing from harvest year 1993 forward on a voluntary pooling basis. Separate pools will be operated for each local commodity held in inventory for resale.

## POOL STRUCTURE

A grower pooling his grain at the Corporation receives an "initial producer payment" (IPP) within 2 weeks from the end of the week the grain was delivered.

A grower may also receive an "interim payment" sometime during the crop year.

For the 1998/1999 crop year, the "initial producer payment" (IPP) was calculated by deducting the "initial standard operating cost" (ISOC) off of the "estimated sales value" (ESV) to obtain the "initial producer value" (IPV) this value was then multiplied by 72% for Barley, Oats and Mixed Grain (85% for Wheat and Soybeans) to obtain the "initial producer payment" (IPP).

**1998/99 INITIAL PRODUCER PAYMENTS**

| GRAIN | ESV | ISOC | IPV | IPP |
|---|---|---|---|---|
| Barley | $125.00 | $20.00 | $105.00 | $75.60 |
| Oats | $115.00 | $20.00 | $95.00 | $68.40 |
| Wheat | $140.00 | $20.00 | $120.00 | $102.00 |
| Mixed Grain | $115.00 | $20.00 | $95.00 | $68.40 |
| Soybeans | $300.00 | $20.00 | $280.00 | $238.00 |

A grower will receive his "final producer value" (FPV) after the pool closes on July 31 of the same crop year unless there is more than 10% of inventory still unsold in the pool. In this case, the Corporation Board of Directors will make a decision as to whether to still close the pool or continue to leave it open until the inventory levels have been reduced. The "final producer value" (FPV) is calculated by taking the "final sales value" (FSV) minus the "final standard operating cost" (FSOC).

## 1998/99 FINAL PRODUCER VALUE

| GRAIN | FSV | FSOC | FPV |
|---|---|---|---|
| Barley | $122.48 | $23.12 | $99.36 |
| Oats | $131.78 | $23.12 | $108.66 |
| Wheat | $151.89 | $23.12 | $128.77 |
| Mixed Grain | $133.53 | $23.12 | $110.41 |
| Soybeans | $277.91 | $31.62 | $246.29 |

For the 1998/99 crop year, the P.E.I. Grain Elevators Corporation reached and surpassed the Estimated Sales Value that it set in August 1998 on all but the Barley and Soybean pool.

## VOLUME OF HANDLINGS AT EACH ELEVATOR

**1998/99 BEGINNING INVENTORY** **Metric Tonnes**

Island Barley

| | |
|---|---|
| P.E.I. #1 Kensington | 295.710 |
| P.E.I. #2 Roseneath | 392.508 |
| P.E.I. #3 Elmsdale | 0.000 |
| Total Barley | 688.218 |

Island Oats

| | |
|---|---|
| P.E.I. #1 Kensington | 67.191 |
| P.E.I. #2 Roseneath | 107.742 |
| P.E.I. #3 Elmsdale | 22.320 |
| Total Oats | 197.253 |

Island Wheat

| | |
|---|---|
| P.E.I. #1 Kensington | 161.360 |
| P.E.I. #2 Roseneath | 3.752 |
| P.E.I. #3 Elmsdale | 33.105 |
| Total Wheat | 198.217 |

Island Mixed Grain

| | |
|---|---|
| P.E.I. #1 Kensington | 13.786 |
| P.E.I. #2 Roseneath | 171.438 |
| P.E.I. #3 Elmsdale | 0.000 |
| Total Mixed Grain | 185.224 |

Eastern Corn

| | |
|---|---|
| P.E.I. #1 Kensington | 39.584 |
| P.E.I. #3 Elmsdale | 3.840 |
| Total Corn | 43.424 |

Soybeans

| | |
|---|---|
| P.E.I. #1 Kensington | 204.099 |
| P.E.I. #3 Elmsdale | 7.700 |
| Total Soybeans | 211.799 |

Extruded Soybeans

| | |
|---|---|
| P.E.I. #1 Kensington | 15.722 |
| P.E.I. #2 Roseneath | 2.000 |
| P.E.I. #3 Elmsdale | 6.000 |
| Total Extruded Soybeans | 23.722 |

Roasted Soybeans

| | |
|---|---|
| P.E.I. #1 Kensington | 28.790 |

Soybean Meal 48%

| | |
|---|---|
| P.E.I. #1 Kensington | 41.852 |
| P.E.I. #3 Elmsdale | 0.680 |
| Total Soybean Meal | 42.532 |

**TOTAL BEGINNING INVENTORY** ..... 1619.179

**POOLED GRAIN PURCHASED**

Island Barley

| | |
|---|---|
| P.E.I. #1 Kensington | 6567.171 |
| P.E.I. #2 Roseneath | 4198.075 |
| P.E.I. #3 Elmsdale | 4765.308 |
| Total Barley Pooled | 15530.554 |

Island Oats

| | |
|---|---|
| P.E.I. #1 Kensington | 281.803 |
| P.E.I. #2 Roseneath | 85.776 |
| P.E.I. #3 Elmsdale | 358.893 |
| Total Oats Pooled | 726.472 |

Island Wheat

| | |
|---|---|
| P.E.I. #1 Kensington | 490.123 |
| P.E.I. #2 Roseneath | 898.598 |
| P.E.I. #3 Elmsdale | 485.369 |
| Total Wheat Pooled | 1874.090 |

Island Mixed Grain

| | |
|---|---|
| P.E.I. #1 Kensington | 41.267 |
| P.E.I. #2 Roseneath | 136.043 |
| P.E.I. #3 Elmsdale | 0.000 |
| Total Mixed Grain Pooled | 177.310 |

Island Soybeans

| | |
|---|---|
| P.E.I. #1 Kensington | 461.573 |
| P.E.I. #2 Roseneath | 425.235 |
| P.E.I. ## Elmsdale | 116.549 |
| Total Soybeans Pooled | 1003.357 |
| **TOTAL POOLED GRAIN PURCHASED** | 19311.783 |

**OTHER GRAIN PURCHASED**
**OPEN-MARKET GRAIN**

Island Barley

| | |
|---|---|
| P.E.I. #1 Kensington | 1630.420 |
| P.E.I. #2 Roseneath | 270.530 |
| P.E.I. #3 Elmsdale | 786.023 |
| Total O-Market Barley | 2686.973 |

Island Oats

| | |
|---|---|
| P.E.I. #1 Kensington | 161.571 |
| P.E.I. #2 Roseneath | 103.590 |
| P.E.I. #3 Elmsdale | 183.017 |
| Total O-Market Oats | 448.178 |

Island Wheat

| | |
|---|---|
| P.E.I. #1 Kensington | 182.383 |
| P.E.I. #2 Roseneath | 915.697 |
| P.E.I. #3 Elmsdale | 48.711 |
| Total O-Market Wheat | 1146.791 |

Island Mixed Grain

| | |
|---|---|
| P.E.I. #1 Kensington | 28.608 |
| P.E.I. #2 Roseneath | 18.248 |
| P.E.I. #3 Elmsdale | 175.345 |
| Total O-Market Mixed Grain | 222.201 |

Island Corn

| | |
|---|---|
| P.E.I. #2 Roseneath | 62.375 |

Island Soybeans

| | |
|---|---|
| P.E.I. #1 Kensington | 144.783 |
| P.E.I. #2 Roseneath | 4.590 |
| Total O-Market Soybeans | 149.373 |

**EASTERN/WESTERN GRAIN**

Western Barley

| | |
|---|---|
| P.E.I. #1 Kensington | 296.680 |

Soybean Meal

| | |
|---|---|
| P.E.I. #1 Kensington | 336.160 |

Eastern Corn

| | |
|---|---|
| P.E.I. #1 Kensington | 212.139 |

**TOTAL OTHER GRAIN PURCHASED** ..... 5560.870

Each elevator also receives grain to dry and store.
These volumes are as follows:

P.E.I. #1 Kensington

| | | |
|---|---|---|
| Barley | 529.995 | |
| Wheat | 89.794 | |
| Oats | 12.888 | |
| Soybeans | 909.259 | |
| Total | | 1541.936 |

P.E.I. #2 Roseneath

| | | |
|---|---|---|
| Oats | 2.730 | |
| Wheat | 47.207 | |
| Corn | 309.802 | |
| Total | | 359.739 |

P.E.I. #3 Elmsdale

| | | |
|---|---|---|
| Barley | 138.473 | |
| Wheat | 117.115 | |
| Total | | 255.588 |

Milling Wheat was also handled through the elevators.
The volumes are as follows:

| | |
|---|---|
| P.E.I. #1 Kensington | 1138.174 |

## VOLUME OF SALES AT EACH ELEVATOR

| Pooled Grain Sold | Metric Tonnes |
|---|---|
| Island Barley | |
| P.E.I. #1 Kensington | 7423.084 |
| P.E.I. #2 Roseneath | 3628.030 |
| P.E.I. #3 Elmsdale | 5000.988 |
| Total Pooled Barley Sold | 16052.102 |
| Island Oats | |
| P.E.I. #1 Kensington | 390.725 |
| P.E.I. #2 Roseneath | 195.192 |
| P.E.I. #3 Elmsdale | 313.218 |
| Total Pooled Oats Sold | 899.135 |
| Island Wheat | |
| P.E.I. #1 Kensington | 529.863 |
| P.E.I. #2 Roseneath | 880.074 |
| P.E.I. #3 Elmsdale | 480.866 |
| Total Pooled Wheat Sold | 1890.803 |
| Island Mixed Grain Sold | |
| P.E.I. #1 Kensington | 82.701 |
| P.E.I. #2 Roseneath | 253.140 |
| P.E.I. #3 Elmsdale | 20.748 |
| Total Pooled Mixed Grain Sold | 356.589 |
| Island Soybeans Sold | |
| P.E.I. #1 Kensington | 542.368 |
| P.E.I. #2 Elmsdale | 22.220 |
| Total Pooled Soybeans Sold | 564.588 |
| Extruded Barley Sold | |
| P.E.I. #1 Kensington | 123.676 |
| Extruded Oats Sold | |
| P.E.I. #1 Kensington | 9.734 |
| Extruded Wheat Sold | 11.943 |
| Extruded Soybeans Sold | |
| P.E.I. #1 Kensington | 169.088 |
| P.E.I. #2 Roseneath | 51.345 |
| P.E.I. #3 Elmsdale | 114.796 |
| Total Extruded Soybeans Sold | 355.229 |

Roasted Soybeans Sold

| | |
|---|---|
| P.E.I. #1 Kensington | 362.168 |
| P.E.I. #2 Roseneath | 43.147 |
| Total Roasted Soybeans Sold | 405.315 |

Island Clipped/Cleaned Oats

| | |
|---|---|
| P.E.I. #1 Kensington | 77.320 |
| P.E.I. #2 Roseneath | 53.660 |
| P.E.I. #3 Elmsdale | 38.630 |
| Total Clipped/Cleaned Oats Sold | 169.610 |

**OTHER GRAIN SOLD**
**OPEN MARKET GRAIN**

Island Barley

| | |
|---|---|
| P.E.I. #1 Kensington | 1574.604 |
| P.E.I. #2 Roseneath | 259.514 |
| P.E.I. #3 Elmsdale | 321.542 |
| Total Barley Sold | 2155.660 |

Island Oats

| | |
|---|---|
| P.E.I. #1 Kensington | 79.346 |
| P.E.I. #2 Roseneath | 82.240 |
| P.E.I. #3 Elmsdale | 12.921 |
| Total Oats Sold | 174.507 |

Island Wheat

| | |
|---|---|
| P.E.I. #1 Kensington | 330.425 |
| P.E.I. #2 Roseneath | 890.546 |
| P.E.I. #3 Elmsdale | 15.610 |
| Total Wheat Sold | 1236.581 |

Island Mixed Grain Sold

| | |
|---|---|
| P.E.I. #1 Kensington | 34.803 |
| P.E.I. #2 Roseneath | 68.418 |
| P.E.I. #3 Elmsdale | 111.510 |
| Total Mixed Grain Sold | 214.731 |

Island Corn

| | |
|---|---|
| P.E.I. #2 Roseneath | 23.155 |

Island Soybeans

| | |
|---|---|
| P.E.I. #1 Kensington | 1.200 |

**EASTERN/WESTERN GRAIN**

Western Barley

| | |
|---|---|
| P.E.I. #1 Kensington | 340.647 |

Eastern Corn

| | |
|---|---|
| P.E.I. #1 Kensington | 215.827 |
| P.E.I. #2 Roseneath | 16.065 |
| P.E.I. #3 Elmsdale | 33.981 |
| Total Corn Sold | 265.873 |

Soybean Meal 48%

| | |
|---|---|
| P.E.I. #1 Kensington | 265.261 |
| P.E.I. #2 Roseneath | 0.200 |
| P.E.I. #3 Elmsdale | 100.350 |
| Total Soybean Meal | 365.811 |

Total Grain Sold - by Elevator

| | |
|---|---|
| P.E.I. #1 Kensington | 12564.783 |
| P.E.I. #2 Roseneath | 6444.726 |
| P.E.I. #3 Elmsdale | 6587.380 |
| | 25596.889 |

# AUDITOR GENERAL

CHARLOTTETOWN

PRINCE EDWARD ISLAND

## AUDITOR'S REPORT

To the Board of Directors of the
Prince Edward Island Grain Elevators Corporation

I have audited the balance sheet of the Prince Edward Island Grain Elevators Corporation as at July 31, 1999 and the statement of income and retained earnings for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at July 31, 1999 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

J. Wayne Murphy, FCA
Auditor General

Charlottetown, Prince Edward Island
October 29, 1999

STATEMENT 1

## PRINCE EDWARD ISLAND GRAIN ELEVATORS CORPORATION
## BALANCE SHEET
## AS AT JULY 31, 1999

### ASSETS

| | 1999 | 1998 |
|---|---|---|
| **CURRENT ASSETS** | | |
| Accounts Receivable - General - Note 2 | $ 512,011 | $1,106,534 |
| Accounts Receivable - Province of PEI | 604,003 | 32,114 |
| Short-term Investments | 62,987 | 46,916 |
| Inventory of Grain - Corporation | 215,856 | 253,522 |
| Sundry Inventory | 4,055 | - |
| Prepaid Expenses | 28,478 | - |
| | 1,427,370 | 1,439,086 |
| **CAPITAL ASSETS** | | |
| Equipment - Note 3 | 89,490 | 68,504 |
| | $1,516,860 | $1,507,590 |

### LIABILITIES AND EQUITY

| | | |
|---|---|---|
| **CURRENT LIABILITIES** | | |
| Bank Overdraft | $ 939,508 | $1,272,643 |
| Accounts Payable - General | 35,692 | 7,998 |
| Accounts Payable - Province of PEI | 46,818 | 71,099 |
| Allowance for Contingent Loss - Note 4 | - | 49,732 |
| Deferred Revenue | 65,910 | 52,889 |
| Final Payment to be Distributed to Producers | 85,935 | 32,883 |
| | 1,173,860 | 1,487,144 |
| **EQUITY** | | |
| Retained Earnings (Deficit) - Statement 2 | - | (322,554) |
| Contributed Surplus - Province of PEI | 343,000 | 343,000 |
| | 343,000 | 20,446 |
| | $1,516,860 | $1,507,590 |

(The accompanying notes are an integral part of these financial statements.)

ON BEHALF OF THE BOARD: DIRECTOR _____

DIRECTOR _____

AUDITOR GENERAL - CHARLOTTETOWN, P.E.I.

STATEMENT 2

PRINCE EDWARD ISLAND GRAIN ELEVATORS CORPORATION
STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED JULY 31, 1999

| | 1999 | 1998 |
|---|---|---|
| **REVENUES:** | | |
| Sales | $3,552,791 | $4,510,778 |
| Profit on Inter-Related Sales - Note 6 | 305,243 | 422,858 |
| Other Income - Note 5 | 377,207 | 419,477 |
| Provincial Grant - Operating | 45,000 | 43,467 |
| - Capital | 106,546 | 73,884 |
| - Other | 6,319 | - |
| | 4,393,106 | 5,470,464 |
| **EXPENSES:** | | |
| Cost of Non-Pool Inventory Sold | 1,089,183 | 1,852,015 |
| Amortization | 28,298 | 35,709 |
| Bad Debts | 182,859 | 12,943 |
| Board Expense | 43,292 | 32,140 |
| Capital Repairs | 106,546 | 73,884 |
| Electricity and Water | 129,843 | 158,342 |
| General and Other | 85,270 | 81,570 |
| Insurance | 16,239 | 18,784 |
| Interest - Short Term | 92,531 | 131,715 |
| Repairs and Maintenance | 79,004 | 64,876 |
| Salaries and Benefits | 525,177 | 529,494 |
| | 2,378,220 | 2,991,442 |
| NET RESULTS BEFORE DISTRIBUTION | 2,014,886 | 2,479,022 |
| DISTRIBUTION TO PARTICIPANTS - Note 7 | 2,205,563 | 2,615,961 |
| NET INCOME (LOSS) ON OPERATIONS | (190,677) | (136,939) |
| PROVINCIAL APPROPRIATION FOR LOSSES | 513,231 | - |
| NET INCOME (LOSS) FOR THE PERIOD | 322,554 | (136,939) |
| RETAINED EARNINGS (DEFICIT), BEGINNING OF YEAR | (322,554) | (185,615) |
| RETAINED EARNINGS (DEFICIT), END OF YEAR | $ - | $ (322,554) |

(The accompanying notes are an integral part of these financial statements.)

AUDITOR GENERAL - CHARLOTTETOWN, P.E.I.

PRINCE EDWARD ISLAND GRAIN ELEVATORS CORPORATION

NOTES TO FINANCIAL STATEMENTS

JULY 31, 1999

1. Summary of Significant Accounting Policies:

(a) The Corporation operates a pooling program for buying and selling its local grain and protein inventory. During 1998-99 five pools were in operation consisting of a Barley, Oats, Mixed Grain, Wheat and Soybean pool. All pools closed on July 31, 1999.

(b) Specific accounts which have been deemed doubtful have been included in the Allowance for Doubtful Accounts. In addition, one percent of the remaining accounts are included in the allowance.

(c) Inventory is valued at cost which is similar to replacement cost.

(d) Asset purchases less than $5,000 are expensed in the period of purchase.

(e) Amortization is calculated on a straight-line basis over the estimated useful life of the asset.

(f) The Province of PEI provides the elevator facilities to the Corporation at a nominal fee of $1.

2. Accounts Receivable

| | 1999 | 1998 |
|---|---|---|
| Trade | $443,868 | $ 748,051 |
| Less: Allowance for Doubtful Accounts | 6,313 | 22,271 |
| | 437,555 | 725,780 |
| Special Bin | 71,351 | 376,049 |
| Less: Downpayments Held on Deposit | 6,122 | 13,787 |
| | 65,229 | 361,262 |
| Other | 9,227 | 19,492 |
| | $512,011 | $1,106,534 |

3. Capital Assets

| | 1999 | 1998 |
|---|---|---|
| Equipment (cost) | $369,603 | $310,322 |
| Less: Accumulated Amortization | 270,113 | 241,818 |
| | $ 89,490 | $ 68,504 |

A grant in the amount of $11,358 was received under the Regional Economic Development Agreement which has been deducted from the cost of Capital Assets purchased under the project.

AUDITOR GENERAL - CHARLOTTETOWN, P.E.I.

PRINCE EDWARD ISLAND GRAIN ELEVATORS CORPORATION

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

JULY 31, 1999

4. **Contingent Liabilities:** In 1978 an account receivable of $89,000 was assigned to the Prince Edward Island Lending Authority. The Corporation has guaranteed repayment to the Authority. A loss of $49,732 on this account has been charged to income since 1978. On March 24, 1992 the Prince Edward Island Lending Agency (subsequently Enterprise PEI) replaced the above assignment of account receivable with a mortgage of $118,000. In 1998 Enterprise PEI requested full payment of the amount as stipulated in the assignment of Mortgage Agreement. The debt was paid in full to the PEI Lending Agency (previously Enterprise PEI) during 1999 by the Corporation. As a result of finalizing this account, an additional loss of $34,311 was incurred.

5. Other Income

| | 1999 | 1998 |
|---|---|---|
| Handling and Drying | $173,385 | $224,321 |
| Storage Fees | 67,064 | 41,248 |
| Custom Extruding | 31,391 | 25,719 |
| Miscellaneous | 36,778 | 24,975 |
| Interest Revenue | 33,792 | 44,786 |
| Freight | 27,192 | 46,725 |
| Protein | 7,605 | 6,362 |
| Hedging Income (Loss) | - | 5,341 |
| | $377,207 | $419,477 |

6. Inter-related sales consist of grain sales between the Corporation and the Pools.

| | |
|---|---|
| Sales: | |
| Pool Inventory | $305,243 |
| Non-Pool Inventory | 95,956 |
| | 401,199 |
| Cost of Non-Pool Inventory | 95,956 |
| Profit on Inter-Related Sales | $305,243 |

The payments for pool inventory received from producers are included in the distribution to participants figure in the statement of income and retained earnings.

7. The distribution to participants of pooling operations is as follows:

| | |
|---|---|
| Initial Payment | $1,744,954 |
| Interim Payment | 374,674 |
| Final Payment to be Distributed to Producers | 85,935 |
| | $2,205,563 |

AUDITOR GENERAL - CHARLOTTETOWN, P.E.I.

8. Related Party Transactions: In the current year, four Board members purchased grain from the Corporation at a cost of $26,962 and seven Board members sold grain totalling $180,138 to the Corporation. These transactions were entered into in the normal course of business and on the same terms as unrelated parties.

9. Uncertainty Due to the Year 2000 Issue

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Corporations' ability to conduct normal business operations.

The Corporation is working to mitigate any potential effects that may be experienced in critical business systems due to the Year 2000 Issue. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Corporation, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.